



## FISCAL MEMORANDUM

### SB 561 - HB 1517

March 20, 2023

**SUMMARY OF BILL AS AMENDED (005700):** Authorizes the Megasite Authority of West Tennessee (Megasite) to enter into agreements with industrial development corporations (IDCs) regarding the provision of governmental services to the Megasite and the distribution to IDCs of payments in lieu of ad valorem property taxes.

### FISCAL IMPACT OF BILL AS AMENDED:

#### NOT SIGNIFICANT

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 64-9-104(a)(10), the Megasite may enter into agreements with local governments regarding the provisions of governmental services to the Megasite and the distribution to local governments of payments in lieu of ad valorem property taxes. The proposed legislation would extend this provision to IDCs.
- Tennessee Code Annotated § 7-53-305 provides that:
  - An IDC performs a public function in behalf of the creating local government and is a public instrumentality of such local government;
  - An IDC has the authority to negotiate, accept, or waive from any of the IDC's lessees payments in lieu of taxes, upon receipt of a formal delegation of authority from its creating local government;
  - The local government may require the IDC to submit for approval any such agreement; and
  - The IDC shall attach to each agreement an analysis of the costs and benefits of the agreement.
- For any agreement which is entered into, it would result in the Megasite paying the IDC a payment in lieu of the Megasite paying the local government for ad valorem taxes due.
- If an IDC enters into an agreement with the Megasite, it would result in an increase in revenue for the IDC and an equal, corresponding decrease in revenue for the applicable local government.
- It is assumed that since such an agreement could only occur upon approval of the creating local government, that such payments would be in an amount equal to the ad valorem property taxes due by the Megasite.
- The proposed language would result in a permissive shift in local revenue from a local government to an IDC; however, since an IDC is a public instrumentality of the creating local government, the net impact of any shift in local revenue is considered to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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